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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)
SUBJECT: GAZPROM HEAD SUGGESTS ELIMINATING "MIDDLEMEN" IN
GAS TRADE WITH UKRAINE

REF: A. KYIV 2611

[1](#)B. MOSCOW 4932

Classified By: Ambassador William J. Burns for Reasons 1.4 (b/d)

MEDVEDEV SENDS UP TRIAL BALLOON

[1](#)1. (SBU) On October 16, First Deputy Prime Minister and Gazprom Chairman Dmitriy Medvedev suggested on German television that Russia is willing to bypass middlemen in its gas dealings with Ukraine. The recent gas supply dispute with Ukraine and its subsequent resolution (reftels) raised questions about the role of two intermediaries, RosUkrEnergo (RUE) in Russia and UkrGazEnergo (UGE) in Ukraine, in the gas supply chain to Ukraine. Medvedev appeared to target the opacity surrounding these entities, referring to "intermediary structures that are not understandable."

[1](#)2. (C) Ukrainian Embassy First Secretary Yaroslav Dubovich told us October 17 that Medvedev's comments were just a trial balloon and stressed there have been no official negotiations or dialogue on the issue yet. However, he said Ukraine is pleased with this development as it prefers to buy gas directly from Gazprom. He hoped the suggestion would move forward and help make the gas trade more transparent. He noted that Yulia Tymoshenko publicly welcomed the idea as well. Ironically, Gazprom's Director of International Affairs, Ivan Zolotov, told us privately last week that Gazprom had called the debt out of concern that it would be more difficult to collect should Tymoshenko lead the new government.

COMMENT

[1](#)3. (C) It is too early to know whether Medvedev's suggestion will gain traction, let alone whether it will ultimately lead to more transparent and efficient gas trade between Russia and Ukraine. Those profiting from the current arrangement will certainly resist. That said, it is apparent from the quick resolution of this latest dispute that Russia increasingly cares about its international image as a reliable supplier. End Comment.
Burns